Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014

Message Text

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PAGE 01 MANAGU 02583 062014Z
ACTION OPIC-06

INFO OCT-01 ARA-14 ISO-00 AGRE-00 CIAE-00 EB-08 INR-10
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FOR OPIC

E.O. 11652: N/A
TAGS: BEXP, EINV, NU
SUBJECT: REQUEST FOR POLITICAL RISK INSURANCE BY THE HARWOOD COM-
PANIES, INC.

REF: OPIC FORM NO. 50 AND OPIC REGISTRATION NOTICE NO. 524-78-099

1. EMBOFF SPOKE WITH MR. JOHN R. NELSON, VICE PRESIDENT FOR MANUFAC-
TURING, FROM HARWOOD'S MAIN OFFICES IN MARION, VIRGINIA, AND MR.
REMY LACHAT, GENERAL MANAGER OF HARWOOD'S PUERTO RICO DIVISION, WHO
IS IN NICARAGUA TO SET UP THE FIRM'S LOCAL OPERATION.

2. THE HARWOOD COMPANIES, THROUGH A WHOLLY-OWNED SUBSIDIARY, BLUE-
FIELDS MANUFACTURING CORP., S.A., WILL PRODUCE MEN'S WOMEN UNDER-
WEAR AND PAJAMAS IN THE FREE TRADE ZONE (APEX) LOCATED NEAR MANAGUA'S
LAS MERCEDES INTERNATIONAL AIPORT. FORTY PERSONS ARE CURRENTLY
EMPLOYED ALTHOUGH THE COMPANY PLANS EVENTUALLY TO EMPLOY APPROX-
IMATELY 385 PERSONS WHO WOULD PRODUCE 11,000 DOZEN ARTICLES PER WEEK.
HARWOOD DOES NOT HAVE A DEFINITE SCHEDULE FOR INCREASING EMPLOYMENT
AND PRODUCTION AS THEY ONLY RECENTLY COMMENCED OPERATIONS AND NEED
TIME TO ACCURATELY PREDICT FUTURE INCREASES IN PRODUCTION.

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PAGE 02 MANAGU 02583 062014Z

3. CURRENTLY THE COMPANY IS IMPORTING PIECE GOODS FROM THE U.S. WHICH
ARE STITCHED AND FINISHED IN NICARAGUA. HOWEVER, AFTER AUGUST 1 THE
COMPANY PLANS TO IMPORT CLOTH FROM THE FAR EAST TO CUT, STITCH AND
FINISH HERE. ALL PRODUCTION WILL BE EXPORTED TO THE U.S. WHERE
WHERE HARWOOD'S MAJOR CUSTOMERS ARE DISCOUNT RETAIL STORES SUCH AS
J.C. PENNEY AND MONTGOMERY WARD.

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4. OTHER HARWOOD OPERATIONS INCLUDE THE FOLLOWING THREE PLANS IN PUERTO RICO WHICH MAKE UNDERWARE, PAJAMAS, CHRISTIAN DIOR LINGRIE,

AND GYM SHORTS; THREE PLANTS IN VIRGINIA WHICH MANUFACTURE UNDER-WEAR, NIGHTWEAR, AND GYM SHORTS; ONE PLANT IN PENNSYLVANIA WHICH PRO-DUCES PAJAMAS, BATHROBES, AND LOUNGE WEAR; AND THREE PLANTS (IN NORTH AND SOUTH CAROLINA AND GEORGIA) WHICH PRODUCE KNIT SHIRTS. IN TOTAL, THE FIRM EMPLOYS APPROXIMATELY 2,500 PERSONS IN THE U.S. AND PUERTO RICO. NICARAGUA IS THE COMPANY'S FIRST OFF-SHORE VENTURE.

5. HARWOOD DECIDED TO COMMENCE OFF-SHORE OPERATIONS WHEN ONE OF ITS BUYERS (J.C. PENNEY) REPORTEDLY INDICATED THAT IT WAS GOING TO BEGIN TO BUY FROM THE FAR EEAST BECAUSE OF THE FAVORABLE PRICES AVAILABLE THERE. IN ORDER TO MEET THIS COMPETITION, NELSON INDICATED THAT HARWOOD WAS FORCED TO GO OFF-SHORE IN ORDER TO BE ABLE TO PRODUCE AT A COMPETITIVE PRICE.

6. EMBASSY HAS NO OBJECTION TO GRANTING OF INSURANCE ON BUSINESS BASIS. THE OPERATION IS ADVANTAGEOUS TO NICARAGUA IN THAT IT WILL EMPLOY ALMOST 400 UNSKILLED NICARAGUANS. THE FREE TRADE ZONE HAS THE REPUTATION OF BEING WELL AND PROFESSIONALLY MANAGED.

7. HOWEVER, THERE REMAINS THE QUESTION AS TO WHETHER THIS COMPANY, LIKE MANY OFF-SHORE OPERATIONS, IS TAKING EMPLOYMENT AWAY FROM U.S. WORKERS. HARWOOD GIVES THE IMPRESSION THAT IT WAS FORCED TO ESTAB-LISH OVERSEAS ALTHOUGH IT WOULD HAVE PREFERRED TO REMAIN ONLY IN THE UNCLASSIFIED

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PAGE 03 MANAGU 02583 062014Z

U.S. OR PUERTO RICOM. CONSIDERING THE POLITICAL SENSITIVITY OF THE ISSUE OF EMPLOYEMENT IN THE U.S. TEXTILE INDUSTRY, OPIC MAY WISH TO INVESTIGATE THIS POINT FURTHER BEFORE MAKING A FINAL DECISION ON THE CASE.

8. EMBASSY WILLING TO PROVIDE MORE INFORMATION IF NEEDED.
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